

11 KAR 4:040. Educational institution participation requirements.

RELATES TO: KRS 164.740, 164.748(6), (13), 20 U.S.C. 1078, 1078-8, 1085, 34 C.F.R. Part 668 subparts A, B, D, E, F

STATUTORY AUTHORITY: KRS 164.748(4)

NECESSITY, FUNCTION, AND CONFORMITY: The Kentucky Higher Education Assistance Authority administers programs of student financial assistance. KRS 164.748(6) and (13) requires the authority to enter into contracts with eligible educational institutions to provide for the administration of student financial assistance programs, and approve, disapprove, limit, suspend, or terminate the participation of the institutions. This administrative regulation establishes the conditions under which the authority shall execute a contract with an institution for participation in the authority's programs.

Section 1. Definitions. (1) "Applicable federal loans" means loans that:

(a) Are either:

1. Federal Stafford loans or federal SLS loans, which are loans reinsured by the secretary pursuant to 20 U.S.C. 1078 or 1078-8; or

2. The portion of a loan made under the Federal Consolidation Loan Program that is used to repay a federal Stafford loan or federal SLS loan; and

(b) Are received for attendance at an institution.

(2) "Authority" is defined by KRS 164.740(1).

(3) "Eligible institution" is defined in KRS 164.740(4).

(4) "Eligible program of study" is defined by:

(a) KRS 164.769(2)(b) for purposes of Section 8 of this administrative regulation; and

(b) 11 KAR 5:001, Section 1 (10), for purposes of Sections 6 and 9 of this administrative regulation.

(5) "Federal act" is defined by KRS 164.740(8).

(6) "Fiscal year" means the period from and including October 1 of the calendar year through and including September 30 of the following calendar year.

(7) "Fiscal year default rate" means:

(a) For a fiscal year in which thirty (30) or more current and former students at the institution enter repayment on applicable federal loans, the percentage of those current and former students who enter repayment on the loans received for attendance at that institution in that fiscal year who default before the end of the following fiscal year as determined by the secretary pursuant to 20 U.S.C. 1085; or

(b) For a fiscal year in which less than thirty (30) of the institution's current and former students enter repayment on applicable federal loans, the percentage of those current and former students who entered repayment on applicable federal loans in any of the three (3) most recent fiscal years, who default before the end of the fiscal year immediately following the year in which they entered repayment.

(8) "Insured student loan" is defined by KRS 164.740(11).

(9) "Secretary" is defined by KRS 164.740(20).

Section 2. General Rule. (1) The authority shall execute an administrative agreement with any educational institution which:

(a) Meets the applicable eligibility criteria established by KRS 164.740 through 164.7891 and the federal act, if applicable; and

(b) is approved for participation by the authority and, if applicable, the secretary.

(2) The authority shall approve for participation in any authority program an eligible institution

which:

(a) Is certified by the secretary to participate in programs of student financial assistance authorized by the federal act, and has in force, if required by the secretary, a participation agreement with the secretary to participate in any of those programs;

(b) Is not presently suspended or terminated from participation in student financial assistance programs by either the authority, an organization authorized to insure loans under the federal act, or the secretary;

(c) Meets the criteria set forth in Sections 4 through 10 of this administrative regulation, as applicable to the particular authority program in which the educational institution seeks participation; and

(d) Has been in continuous operation for at least two (2) years, unless otherwise required by the federal act.

Section 3. Maintenance of Participation. (1) Except as provided in 11 KAR 4:020, an administrative agreement shall remain in effect:

(a) In accordance with subsection (2) of this section and the terms of the agreement; and

(b) As long as the educational institution conforms to the criteria established in Section 2 of this administrative regulation.

(2) If participation by an institution is suspended or terminated from student financial assistance programs pursuant to 11 KAR 4:020, the authority may determine that the administrative agreement shall remain in force for one (1) or more specified programs if the authority determines there is good cause for the exception.

(3) The authority may periodically reevaluate the status of the institution with respect to the criteria established in this administrative regulation.

Section 4. Documentation of Federal Eligibility. (1) The institution shall demonstrate to the authority that it is approved by the secretary to participate, and holds all necessary licenses to offer academic programs by submitting to the authority a true and complete copy of the most recent federal application for institutional eligibility, eligibility letter, and program participation agreement executed by the secretary.

(2) The authority may disapprove, limit, suspend, or terminate the participation of an institution upon failure to submit the required documentation within forty-five (45) days following request by the authority.

Section 5. Insured Student Loan Program Participation. In order to participate in the authority's insured student loan program, the educational institution shall:

(1) Be certified by the secretary to participate and have in force, if required by the secretary, a participation agreement with the secretary; and

(2) Execute an administrative agreement with the authority. The authority may permit an educational institution, otherwise approved, to participate without an agreement if:

(a) The institution's fiscal year default rate is twenty (20) percent or less; or

(b) The volume of loans insured by the authority for students attending that institution in any fiscal year does not exceed \$50,000.

Section 6. Kentucky Tuition Grant Program Participation. In order to participate in the authority's KTG program, an educational institution shall:

(1) Qualify as a private, independent college or university, which is accredited by a regional accrediting association recognized by the U.S. Department of Education;

(2) Be located within the Commonwealth of Kentucky;

- (3) Offer an eligible program of study, which is not comprised solely of sectarian instruction; and
- (4) Execute an administrative agreement with the authority.

Section 7. KHEAA Work Study Program Participation. In order to participate in the authority's KHEAA work study program, an educational institution shall:

- (1) Qualify as an eligible institution;
- (2) Be located within the Commonwealth of Kentucky;
- (3) Offer a program of study not comprised solely of sectarian instruction; and
- (4) Execute an administrative agreement with the authority.

Section 8. Teacher Scholarship Participation. In order to participate in the authority's teacher scholarship program, an educational institution shall:

- (1) Qualify as a an eligible institution;
- (2) Be located within the Commonwealth of Kentucky;
- (3) Offer an eligible program of study; and
- (4) Execute an administrative agreement with the authority.

Section 9. College Access Program Participation. In order to participate in the authority's college access program, an educational institution shall:

- (1) Qualify as a an eligible institution;
- (2) Be located within the Commonwealth of Kentucky;
- (3) Offer an eligible program of study; and
- (4) Execute an administrative agreement with the authority.

Section 10. The authority may execute an administrative agreement with an educational institution which may include nonmain campuses of the institution that are not separately incorporated. (11 Ky.R. 507; eff. 10-9-1984; Am. 18 Ky.R. 320; 1056; eff. 11-8-1991; 22 Ky.R. 97; 584; eff. 9-7-1995; 30 Ky.R. 662; 1454; eff. 1-5-2004; 31 Ky.R. 573; 921; eff. 11-8-2004; TAm eff. 4-27-2016.)